

Final Report

Disposal of Surplus Scrap Metal

by

Montgomery County Government Offices

Report # OIG-18-004

June 15, 2018

Montgomery County Maryland
Office of the Inspector General



Disposal of Surplus Scrap Metal

by Montgomery County Government Offices

Introduction

Over the past year, the Office of the Inspector General (OIG) has received information indicating that four separate County offices may be selling scrap metal for cash. In each of these cases, the OIG investigated to determine whether appropriate cash control and surplus property disposal procedures were followed.

Objectives, Scope, and Methodology

We reviewed County policies and procedures related to the disposal of surplus goods and petty cash funds. For three of the County offices discussed in this report, the scope of our review included an investigation of specific allegations concerning the sale of scrap metal, including obtaining sales records from various scrap metal disposal facilities and the County office, interviewing staff, and learning about each office's procedure for the collection and disposition of cash received for the sale of scrap metal.

For the fourth County office, testimony and trial exhibits from a January 2018 trial conducted in Maryland Circuit Court (Case Number 131949C) were reviewed. The trial covered the matter of a Department of General Services, Fleet Management Services (Fleet Management) employee accused of selling several defunct salt spreaders for his own personal gain. In addition to the alleged salt spreader theft, a significant portion of the trial focused on whether Fleet Management followed appropriate procedures when selling surplus aluminum for cash. In our review of this matter, we obtained a copy of trial exhibits and an audio recording of the trial. Rather than conduct a full investigation, we primarily relied upon the trial exhibits and testimony of trial witnesses in our review of this matter. We also obtained relevant petty cash records for Fleet Management provided to the Department of Finance.

Our inquiry was conducted from March 2017 to March 2018 in accordance with the standards contained in *Principles and Standards for Offices of Inspector General*, issued by the Association of Inspectors General (May 2014).

Chapter 11B, Article IX of the Montgomery County Code, entitled *Management and Disposal of Goods* governs the disposal of surplus goods and authorizes the Director of the Office of Procurement (the Director) to sell, trade, or otherwise dispose of surplus goods. Surplus items may be sold either via a competitive method or private sale, depending on which methodology that the Director determines is likely to bring the highest return to the County. After public notice, items may also be given, loaned, or sold to another public entity if the Chief Administrative Officer determines the disposition would benefit the residents of Montgomery County. The Director is authorized to dispose of surplus goods that have no resale value in any responsible manner.

In February 2016, the Director sent an email to Montgomery County Department/Office Directors and their administrative support staff, Executive Office Staff, and some Deputy Department Directors¹ addressing the topic of the disposal of County property. In the email, the Director asks that an attached document entitled “*Procedures for Disposal of Goods*” be distributed to each organization’s employees who handle property disposition and states that the document will be placed on the County intranet site as a resource for County Departments. (See appendix A.)

The “*Procedures for Disposal of Goods*” provides guidance explaining the Office of Procurement’s authority in surplus property disposal. The document states that the Office of Procurement will coordinate with a County department to issue a solicitation for a specific sale of surplus items or the Director may sell surplus goods by private sale. The document also describes the procedure for County departments to request approval to donate or sell surplus property to other public entities or to dispose of surplus goods with no resale or scrap value. In these cases, using departments must both obtain permission for the disposal and provide a final disposition memo to the Director.

During the course of our investigation, we learned that the County also has at least two current contracts for the disposal of surplus goods. The County has contracted with Montgomery Scrap Corporation for the removal and disposal of scrap metal. The County has also contracted with GovDeals, Inc. for online auction services for the sale of miscellaneous surplus equipment and vehicles.

In addition, the Department of General Services, Division of Facilities Management maintains a warehouse for the storage of usable, surplus County property. According to the Property

¹ The email was sent to the Montgomery County email groups #MCG.Department & Office Directors <#MCG.Department&OfficeDirectors@montgomerycountymd.gov>; #MCG.SeniorEAAContacts <#MCG.SeniorEAAContacts@montgomerycountymd.gov>

Manager for warehouse operations, the warehouse houses items which are still in usable condition but not currently in use within a County facility such as furniture, building maintenance parts, and other County equipment such as refrigerators and office supplies.

In these cases, County departments and offices need not dispose of their own surplus property, as the warehouse would be the appropriate mechanism to properly relocate property which is still usable, but no longer useful to a particular office. The warehouse has its own written procedures for the disposal of surplus goods. For the purposes of this investigation, the OIG did not attempt to verify whether the warehouse was in compliance with its own procedures.

Findings, Recommendations, and Other Matter for Consideration

Because the OIG was not engaged in a planned review of the disposal of surplus property, but rather learned of these instances through multiple, separate complaints received by our office, we have concerns that there may be other locations within the County engaged in improper disposal of surplus property.

Improper Sale of Surplus Goods

Finding 1: Four County offices sold surplus scrap metal to various scrap metal processing facilities, without using an approved contract vehicle or obtaining proper approval for the sales from the Director of the Office of Procurement as required by the policies and procedures.

Although in February 2016, the Director of the Office of Procurement took steps to disseminate copies of the "*Procedures for Disposal of Goods*" to County employees who handle property disposition, it has come to our attention that multiple County managers have continued to dispose of County property in a way that was contrary to County policy. We did not find evidence that there were effective controls in place to prevent circumvention of the County policy.

Based on our discussions with the Director and her staff, it is the OIG's understanding that approval for the disposal of County property outside of an approved contract vehicle would need to be requested in a written memo to the Director. In November 2017, the OIG requested copies of all memo's requesting/justifying the disposal of surplus property within the previous year as well as copies of all notifications received by the Office of Procurement within the previous year indicating that previously approved surplus property had been disposed of. In response, we received copies of seven requests which we summarized in Table 1 below. We received no final disposition memos related to any request for surplus property disposal in response to our request.

***Departmental Requests for Disposal of Surplus Items
(Nov. 2016 – Nov. 2017)***

Date	Requesting Department	Disposal	Item
10/25/2017	Department of Technology Services	Donation	Surplus PCs
8/16/2017	Montgomery County Fire and Rescue Service	County Recycling Center	Old Equipment Cabinets
5/10/2017	Montgomery County Fire and Rescue Service	Donation	Replaced Self-contained breathing apparatus
1/23/2017	Department of General Services	Sold via auction	Surplus Furniture
4/13/2016	Department of General Services	County transfer station	Broken Warehouse Items
9/13/2016	Department of General Services	Transfer of Ownership/Relocation	Confederate Monument
6/2/2016	Montgomery County Fire and Rescue Service	Trade-In towards new equipment	Rescue Struts

Table 1: Departmental Requests Submitted to the Office of Procurement for Surplus Property Disposal

Montgomery County's Department of General Services, Division of Fleet Management Services (Fleet Management) provides vehicle services in support of the County's vehicle fleet, including acquisition and disposal, preventive maintenance, repairs, regulatory compliance, pool vehicles and refueling services. Fleet Management consists of five business units: asset management, vehicle maintenance, fuel management, pool vehicles and administration. Specifically, 200 dedicated Fleet staff, four major maintenance locations and eleven fuel sites provide essential infrastructure in support of the County's vehicle fleet including sedans, law enforcement vehicles, light-duty trucks/vans, heavy-duty trucks, off-road and industrial equipment.

Since February 2016, the County has had an active, approved contract with Montgomery Scrap Corporation, a local scrap metal facility which places large dumpsters in County locations at the request of Fleet Management for the purpose of allowing County employees to dispose of extraneous metal (such as vehicle parts) that are encountered during the maintenance and repair of County vehicles. Once scrap metal is placed in the bin, it is picked up by the contractor and a check is issued to the County for the value of the scrap metal. Prior to the current contract, Joseph Smith and Sons had the approved County contract for scrap metal disposal and performed a similar function for the County from February 2001 through February 2016.

During the course of a recent trial involving a Fleet Management employee, several Fleet Management employees testified that on multiple occasions, rather than using the existing bins, the Chief of Maintenance for Fleet Management instructed employees to separate out aluminum scrap (which has the higher resale value than steel) and utilize an unmarked vehicle to transport the aluminum directly to Montgomery Scrap Corporation in order to sell that scrap.

One witness thought that this activity had begun in approximately 2014-2015, and trial exhibits show that Fleet Management employees have been separating out aluminum scrap for transport to Montgomery Scrap Corporation since at least December 2015. In any case, it appears that practice occurred during the time when Joseph Smith and Sons was the approved vendor, which predates the County contract with Montgomery Scrap Corporation.

We note that when we visited Joseph Smith and Sons to obtain records on one of the other matters discussed in this report, the Scrap Yard Manager told us that in late 2014, Joseph Smith and Sons instituted a policy wherein they would not provide cash payments (check only) to known government employees without an official letter from the government entity specifically requesting that cash be provided. This policy was instituted shortly before the evidence suggests Fleet Management began transporting the aluminum for which they wanted to obtain cash to Montgomery Scrap Corporation.

Division of Highway Services, Poolesville Depot (aka “the Beauty Spot”)

The Poolesville Depot, commonly called the “Beauty Spot”, is a Department of Transportation (DOT) Division of Highway Services facility. Poolesville Depot employees are employed by the Division of Highway Services, Field Operations Section. Separate from its mission related to DOT, on weekends, the Poolesville Depot serves as a bulk material drop off location for County citizens.

Although waste disposal is the responsibility of the Department of Environmental Protection (DEP), Division of Solid Waste, DOT employees assigned to the Poolesville Depot work overtime shifts on weekends to open the facility to accept bulk trash which is then transported to the DEP Shady Grove Transfer Station (transfer station) for proper disposal.

When OIG staff visited the Poolesville Depot, we learned that Poolesville Depot employees were separating out scrap metal from other bulk trash items dropped off at the facility for the purpose of selling those items for cash.

We found no evidence the scrap metal facility utilized has ever had an active contract with the County or that anyone within the Highway Services Division sought permission from the Office of Procurement for the disposal.

OIG met with the DOT Division Chief for Highway Services as well as the DOT Department of Highway Services, Section Chief for Field Operations to discuss what we learned regarding the sale of scrap metal. Both managers work at a different location, but are responsible for Highway Services, Field Operations Section employees at the Poolesville Depot. The managers stated that prior to the OIG’s visit to the Poolesville Depot to investigate the matter, neither was aware that Poolesville Depot employees were separating out scrap metal to sell for cash rather than allowing the items to be sent to the transfer station as expected.

The Section Chief for Field Operations told the OIG that Highway Services was taking steps to address the concerns at the Poolesville Depot. Following the OIG visit to the Poolesville Depot, the Section Chief for Field Operations issued a memo to all Depot Supervisors which states:

“This is to clarify that any waste or construction debris collection within the right of way or deposited at the depots should be sorted and transported to the transfer station at the Department of Environmental Protection, Division of Solid Waste. This is inclusive of all waste such as metals and recyclables.” (See appendix B.)

Additionally, in response to our findings, four Ethics training classes were conducted with the Division of Highway Services in September 2017.

Community Engagement Cluster - Silver Spring Urban District

The Silver Spring Urban District is a part of the Community Engagement Cluster of the County government and provides services to ensure that downtown Silver Spring is maintained as a clean, safe, and attractive environment, to promote a vibrant social and business climate, and to support the long-term economic viability and vitality of the area. Silver Spring Urban District services include ambassadorship, security, streetscape maintenance, walkway repairs, tree maintenance, marketing, promotions, and special events.

During a visit to a local scrap yard on a separate matter, the Office of the Inspector General (OIG) learned that employees of the Silver Spring Urban District were selling surplus scrap metal for cash. An employee of a scrap metal facility told an OIG staff member that several employees of the Silver Spring Urban District routinely brought in scrap metal in County vehicles.

We found no evidence the scrap metal facility utilized has ever had an active contract with the County or that anyone within the Silver Spring Urban District sought permission from the Office of Procurement for the disposal.

Division of Parking Management, Engineering and Capital Project Management

During its review, OIG staff obtained records for the scrap metal sales directly from Joseph Smith and Sons and found that since July 2015, employees of the Department of Transportation (DOT), Division of Parking Management (Parking Management), Engineering and Capital Project Management Section (ECPM) made a number of sales for which they received cash.

We verified that all cash received was properly deposited within a County bank account. We found that for each cash collection, an appropriate receipt transmittal form was submitted to the Department of Finance, Accounts Receivable Section so that the deposits could be properly recorded in the Oracle ERP system.

While the proceeds from the sales were properly deposited with the County, the purchasing scrap metal company's contract with the County expired on February 1, 2016 and was replaced with a different vendor (Montgomery Scrap Corporation). It appears that ECPM has continued to use the previous contractor rather than switch to the new contractor.

Recommendation 1

The County government should ensure managerial accountability and implement effective controls that promote adherence to proper procedures for the disposal of surplus property.

Establishment of Unauthorized Petty Cash Fund

Finding 2: Three of the identified County departments utilized the cash proceeds from the sale of scrap metal to establish unauthorized petty cash funds in violation of County Administrative Procedures.

Montgomery County Administrative Procedure 2-1, entitled "*Petty Cash/Change Funds*" outlines the appropriate methodology and mandatory internal controls for the establishment, maintenance, use and record-keeping for petty cash funds. (See appendix C.)

All petty cash funds must initially be approved by the Director of the Department of Finance and may not be used to circumvent purchasing regulations or the regulations of the Department of Finance, Accounts Payable. Similarly, appropriate documentation, reconciliation, and a separation of duties for disbursement and replenishment of the fund is required. Petty cash may not result in direct or indirect personal gain, must withstand audit or review, and may not be used for unauthorized transactions including entertainment or hospitality expenses.

Additionally, the administrative procedure permits cash funds to be used for incidental, non-recurring purchases that are not covered under the P-card program and states that "the P-Card is the preferred method for making minor departmental expenditures. Petty cash/ Change funds must not be used in lieu of the P-Card for the purchasing of applicable items."

Over the course of the past year, the OIG learned of three separate County departments which were operating unauthorized petty cash funds, improperly replenished through the sale of scrap metal, without implementing the internal controls required by the County. This allowed each office to pay for expenses outside of the normal County system for funding and monitoring expenses.

Department of General Services, Division of Fleet Management Services

Based on the testimony of Fleet Management employees, money from sales of aluminum scrap metal has been used to fund a "sunshine fund" used for employee morale functions such as holiday parties. The Accountant/Auditor who received the cash from the employee who made the sale on two occasions testified that she had no records of when she received the cash, but rather provided it to another employee with instructions that it was to be used for events to foster employee morale. The Department of Finance had no records of a petty cash fund replenished in this way.

The trial testimony and evidence reflects that the Chief of Maintenance took multiple, deliberate steps to circumvent the disposal bins provided through the approved contract vehicle, in order to obtain cash to fund the unauthorized "sunshine fund" including: instructing employees to (1) "get every piece of scrap metal you can find...and get it cashed in", (2) use an unmarked car to make the sale, (3) transport scrap aluminum up to twelve miles away from the scrap metal collection bin located at an employee's work location, and (4) specifically requesting that the selling employee "give [the Chief of Maintenance] the check!!!"

It clearly appears that the Chief of Maintenance actively sought to circumvent property County procedures as well as the scrap metal disposal procedure established by the current approved contractor in order to obtain cash payments which could be utilized by Fleet Management outside of the normal procedures for funding expenses.

Division of Highway Services, Poolesville Depot (aka “the Beauty Spot”)

Poolesville Depot employees actively separated scrap metal from bulk waste to be transferred to the DEP transfer station for the purpose of obtaining cash which could be spent without going through the County’s usual procurement procedures. During our visit to the facility, the Poolesville Depot manager stated that the funds from the sale of scrap metal were kept as part of the Poolesville Depot’s “petty cash” fund which was used to purchase items for the facility such as food, supplies, and tools. The manager acknowledged that the petty cash fund was not registered with or approved by the Department of Finance.

The manager stated that the bulk of the petty cash fund was kept at one of his employee’s homes for safe-keeping. The manager stated that they began keeping the bulk of the petty cash fund at the employee’s home because at some point there had been a break-in at the Poolesville Depot and some of the petty cash fund had been stolen. The manager did not know exactly how much was currently at the employee’s home, but stated he believed it to be about \$2,000. The remaining balance, which was \$149 at the time of the OIG visit, was kept in two envelopes in a locked desk. The manager estimated that approximately \$100 in scrap metal was sold each weekend. The manager indicated that no log is kept detailing the money collected or the items purchased. Although apparently unorganized, many of the receipts for the sale of scrap metal and items purchased appeared to be kept in file cabinet drawers at the facility. See Image 1 for photographs of one of the file cabinet drawers containing receipts and the envelopes of cash kept at the facility.

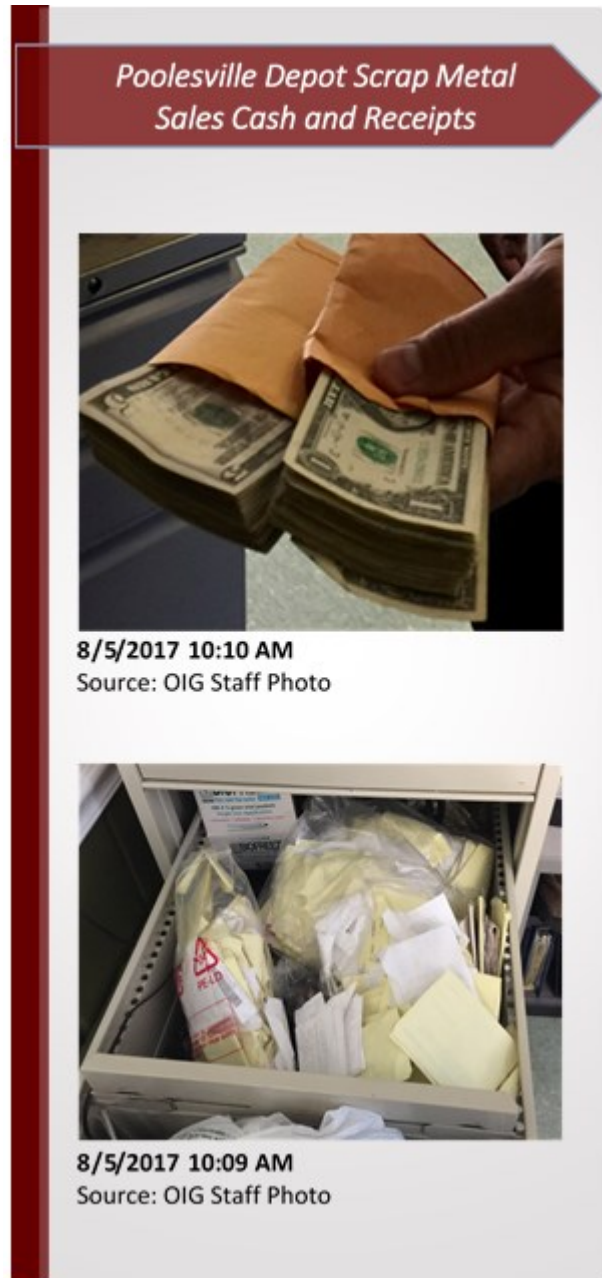


Image 1: Receipts and Cash Maintained at the Poolesville Depot as a Result of the Sale of Scrap Metal.

OIG staff spoke with the Poolesville Depot employee who was responsible for safeguarding the bulk of the petty cash fund at his residence. He confirmed the statements made by the Poolesville Depot manager and acknowledged the record-keeping related to the petty cash fund was poor and receipts may not have been kept for all items purchased using the fund.

A graphic with a red header bar containing the title "Scrap Metal Sales by Poolesville Depot Employees". Below the header is a table with three columns for the years 2015, 2016, and 2017, and one row for Total Sales. The sales figures are \$2,657 for 2015, \$773 for 2016, and \$5,588 for 2017.

Scrap Metal Sales by Poolesville Depot Employees			
Year	2015	2016	2017
Total Sales	\$2,657	\$773	\$5,588

Table 2: Annual Scrap Metal Sales by the Poolesville Depot.

OIG staff visited the scrap metal facility utilized by Poolesville Depot to fund the unauthorized petty cash fund. We were provided records indicating that Poolesville Depot Employees sold over \$9,000 in scrap metal between January 2015 and August 2017. See Table 2 for a summary of sales per year.

Following OIG staff's August 2017 visit to the Poolesville Depot, the Section Chief for Field Operations sent a memo instructing all Depot Supervisors that all waste should be transported to the transfer station and also contacted the scrap yard instructing them that the Division of Highway Services would no longer be delivering scrap metal at any time. Therefore, the OIG expects, but did not confirm, that no further scrap metal sales were made by Poolesville Depot employees following our August 2017 visit.

Community Engagement Cluster - Silver Spring Urban District

The scrap metal facility utilized by the Silver Spring Urban District provided records indicating that \$2,041 in cash had been provided to Silver Spring Urban District employees since May 2017. During a visit to the Silver Spring Urban District office, the Chief of Operations showed OIG staff a locked metal box in his office and funds were used as an office "petty cash" fund. See Image 2 for a photograph of the box taken during our visit.

OIG staff visited the offices of the Silver Spring Urban District and spoke with the Chief of Operations who provided information regarding the sale of scrap metal. According to the Chief of Operations, over the years, employees of the Silver Spring Urban District have been removing tree grates with tree roots growing above ground because the grates were believed to be causing a tripping hazard for pedestrians. The removed grates have been stored in a County garage. Recently, some of these grates were taken to a local scrap metal facility and sold for cash. The Chief of Operations placed the proceeds in a locked metal box in his office and funds were used as an office “petty cash” fund.

In an email to OIG staff, the Chief of Operations explained that funds were spent on a staff appreciation luncheon, retirement gift, food, ice, bottled water, sodas, paper products, tire repair, and other miscellaneous items. At the time of the OIG visit, the Chief of Operations was unable to provide a total amount obtained from the sale of scrap metal or the amount currently residing in the petty cash box. The Chief of Operations stated that he was not aware that petty cash funds were required to be approved by the Department of Finance. Additionally, there was no formal log for the petty cash fund to document funds collected or spent.

Following our visit to the Silver Spring Urban District, OIG staff reached out to the Silver Spring Area Regional Director who reported that he was previously unaware of the unauthorized petty cash fund. During subsequent discussions with OIG staff, the Silver Spring Area Regional Director stated that he had stopped the sale of scrap metal as well as any further use of the petty cash fund and was in the process of determining the proper procedure for the disposal of the surplus grates. The OIG was also provided evidence that the remainder of the petty cash fund was deposited with the Department of Finance.



Image 2: Silver Spring Urban District Petty Cash Box

Recommendation 2

The County government should take action to identify and remove unauthorized petty cash funds and hold managers accountable for circumventing policy.

Other Matter for Consideration

The County government should review the expenditures from each of the unauthorized petty cash funds to determine whether they were legitimate uses of County funds and take appropriate action.

Although consideration of how the unauthorized petty cash funds were used was outside the scope of this review, we question whether some of the expenses reportedly funded from those unauthorized petty cash funds would be permitted under current County regulations and administrative procedures. For example, employee morale events, staff appreciation luncheons, food purchases under most circumstances, and retirement gifts may not be appropriate uses of County funds.

Conclusion

Based on our limited review of the specific allegations of improper scrap metal disposal that came to the attention of our office, it appears that multiple County offices are either unaware of or deliberately circumventing County policy and procedure concerning surplus property disposal and the maintenance of unauthorized petty cash funds.

We did not attempt to determine whether any other County offices are improperly disposing of surplus County property or utilizing County funds for expenses which are not routinely tracked or monitored by the County. However, the number of instances discovered by our office within a short period of time raises concerns that the improprieties discussed in this report may not be limited to those reflected in this report.

Summary of the Chief Administrative Officer's Response

The response from the Montgomery County Chief Administrative Officer (CAO) to the final draft report is included in its entirety in Appendix D. The CAO did not take issue with any of our findings or recommendations.

Nothing in the CAO's response caused us to alter our report.

Appendix A:

Procedures for Disposal of Surplus Goods

Revised November 24, 2017

(Obtained from <https://mcgov.sharepoint.com/pro/Documents/PMMD-190.pdf>)

Procedures for Disposal of Goods

A. The Law

The disposal of goods is governed by Section 11B of the Montgomery County Code. The relevant sections appear below:

11B-6. Director, Office of Procurement¹

- (a) The Director, under the supervision of the Chief Administrative Officer, is the central procurement officer of the County.
- (b) Duties. Except as otherwise specifically provided in this Chapter, the Director must, under regulations:
 - (1) procure or supervise the procurement of all goods, services, and construction; and
 - (2) sell, trade, or otherwise dispose of surplus goods. (1994 L.M.C., ch. 30, § 1.)

Sec. 11B-43. Definitions.

In this Article, unless the context indicates otherwise, the following terms have the following meanings:

- (a) Goods means goods owned by the County.
- (b) **Surplus Goods means goods no longer of use to the County.** (1994 L.M.C., ch. 30, § 1.)

Sec. 11B-44. Management and disposal of goods.

- (a) The Director must ensure the management of goods during their entire life cycle.

¹ See County Attorney Opinion dated [4/9/08](#) regarding the authority of the Director of the Department of General Services. See County Attorney Opinion dated [4/13/99](#) (4/15/99 on cover memo) analyzing the Chief Administrative Officer's authority to make a sole-source contract in excess of \$25,000 without obtaining consent of the director of procurement or the contract review committee.

Appendix A: Procedures for Disposal of Surplus Goods

(b) The Director must dispose of surplus goods. In disposing the surplus goods, the Director may sell the goods by any competitive method which the Director determines is likely to bring the highest return to the County. These methods may include sealed bids, public auction, or trade in or exchange of goods. The Director may sell surplus goods by private sale if the Director determines that open competition is not likely to bring the highest return to the County.

(c) After public notice, the Chief Administrative Officer may give, loan, or sell below fair market value, surplus goods to another public entity if the Chief Administrative Officer determines the disposition would benefit the residents of Montgomery County. Public notice may be given through the Montgomery County Register.

(d) If surplus goods have no resale or scrap value, the Director may dispose of the goods in any responsible manner.

(e) Notwithstanding any other provision of County law, any gun that is surplus must be destroyed. (1994 L.M.C., ch. 30, § 1.)

B. The Process

I. Competitive Method of Sale

The Director, Office of Procurement, may sell surplus good by any competitive method likely to bring the highest return to the County². Additionally, in coordination with the Using Department, the Office of Procurement may issue a solicitation for a specific sale of surplus items. Surplus items may be sold through an on-line auction under the County's contract with GovDeals, Inc.³

II. Non Competitive Sale

The Director may sell surplus goods by private sale if the Director determines that open competition is not likely to bring the highest return to the County.

² Competitive methods are not limited to but may include any of the following methods: sealed bids, public auction, trade-in or exchange.

³ DGS Division of Fleet Management is the lead for this contract.

Appendix A: Procedures for Disposal of Surplus Goods

III. Donation or Sale Below Fair Market Value

The Chief Administrative Officer may give, loan, or sell surplus goods to another public entity⁴ **below fair market value** after notice of such a disposition has been provided to the public. To effect such a sale, the CAO must determine that the disposition would benefit the residents of Montgomery County. Public notice may be given through the Montgomery County Register.

To request approval to donate or sell surplus property below market value to another public entity, Department heads must forward a memo to the Director, Office of Procurement, explaining the request. The memo should include: whether the disposition is a donation or sale; an estimate of the property's value, and a declaration that the county has no further need for the property.⁵ The Office of Procurement will assist the using department in drafting a request to the CAO. If the CAO approves the donation, the using Department must provide the Director, Office of Procurement, with a final disposition memo, within 30 days of the final disposition.

IV. Goods with No Resale or Scrap Value

If surplus goods have no resale or scrap value, the Director may dispose of the goods in any responsible manner. To request approval to dispose of surplus goods with no resale or scrap value, including approval to donate the surplus goods to a non-profit organization, Department Heads must forward a requesting memo to the Director, Office of Procurement. The memo must include a statement verifying that the surplus property has no resale or scrap value, and provide a statement indicating the manner in which the Using Department will dispose of the goods. The using Department must also provide the Director, Office of Procurement, with a final disposition memo, within 30 days of the final disposition.

V. Guns

Guns must be destroyed.

⁴ Public entity is defined in section 2.4.77 of the Procurement Regulations as: “(1) the federal government; (2) a state government and any of its agencies; (3) any political subdivision of a state government and any of its agencies; (4) any board, commission, or committee established by federal, state, or local law; (5) any organization or association of the federal government, state governments, or political subdivisions of state governments; and (6) any other entity that is: (A) qualified as a non-taxable corporation under the United States Internal Revenue Code, as amended; and (B) incorporated by an entity under paragraphs (1) through (5) for the exclusive purpose of supporting or benefitting an entity under paragraphs (1) through (5).

⁵ In some instances, additional documentation may be required by the Office of County Attorney.

Appendix B:

Division of Highway Services, Handling of Waste Materials

August 7, 2017



DEPARTMENT OF TRANSPORTATION


Isiah Leggett
County Executive

Al R. Roshdieh
Director

MEMORANDUM

August 7, 2017

TO: Depot Supervisors
Division of Highway Services

FROM: Jeffrey Knutsen, Chief 
Field Operations
Division of Highway Services

SUBJECT: Handling Waste Materials

This is to clarify that any waste or construction debris collected within the right of way or deposited at the depots should be sorted and transported to the transfer station at the Department of Environmental Protection, Division of Solid Waste. This is inclusive of all waste such as metals and recyclables.

We are also in the process of starting a pilot program with Solid Waste for construction debris and waste materials to be temporarily stored at the depot and picked up by the Division of Solid Waste on a weekly schedule.

The new manager at Solid Waste is Mr. Donald Birnesser and we will be working with him on this pilot program. The initial depots targeted to handle the debris at the depot site is Silver Spring and Bethesda. This may not include the Gaithersburg Depot due to its proximity to the transfer station. In the meantime, all debris including public deposits at the beauty sites should be handled through the Division of Solid Waste.

Please feel free to contact me should you have any questions.

cc: Richard Dorsey
Work Force Leader IV's

Division of Highway Services

100 Edison Park Drive, 4th Floor • Gaithersburg, Maryland 20878 • 240-777-7623 • 240-777-7670
www.montgomerycountymd.gov

montgomerycountymd.gov/311






301-251-4850 TTY

Appendix C:

Petty Cash/Change Funds

February 5, 2018

	MONTGOMERY COUNTY ADMINISTRATIVE PROCEDURE Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850	NO. 2-1
		PAGE 1 OF 8
		DATE 2/5/2018
TITLE Petty Cash/Change Funds		CAO APPROVAL 
<u>PURPOSE</u>		
<p>1.</p> <p>This policy applies to petty cash/change fund and addresses the proper procedures for the establishment, maintenance, use and record-keeping. Authorized petty cash funds are part of the County assets and must be accounted for accurately. Adherence to the provisions set forth herein is mandatory to maintain strong internal controls.</p>		
<u>DEFINITIONS</u>		
<p>2.</p> <p>Change Fund – An authorized sum of money maintained in the cash drawer/register at the department level for providing change to customers upon payment for purchases and/or fees.</p> <p>Custodian – The primary individual assigned the responsibility for administering funds for authorized petty cash funds. The Custodian is accountable for all monies and records pertaining to the funds; as well as ensuring that the established policies are followed daily.</p> <p>Deputy Custodian – The individual assigned with backup responsibility for administering petty cash funds as well as implementing policies in the absence of the Custodian.</p> <p>Designation of Custodian & Deputy Custodian form – The form used by the Department Head to designate the individual(s) responsible for, properly maintaining the monies and records of the department's petty cash/change fund.</p> <p>Petty Cash/Change Fund Certification of Responsibility & Receipt of Funds form – The accountability document which identifies the Custodian of the petty cash/change fund, and assigns responsibility for maintenance of monies and records.</p> <p>Petty Cash Fund – An authorized sum of money maintained at department level for making small local purchases of authorized goods and services.</p> <p>Transfer of Petty Cash/Change Fund form – The form that assigns responsibility to the Department Head for reporting any change in Custodians.</p>		
<u>POLICY STATEMENT</u>		
<p>3.</p> <p>Petty cash or change fund are authorized funds to enable the departments to manage minor departmental expenditures or to provide change to customers when they are paying for goods or services. The Purchasing Card (P-Card) is the recommended purchase method and should be used in place of petty cash.</p>		

	MONTGOMERY COUNTY ADMINISTRATIVE PROCEDURE Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850	NO. 2-1
		PAGE 2 OF 8
		DATE 2/5/2018
TITLE Petty Cash Funds		CAO APPROVAL <i>FK</i>

All requests for the establishment of petty cash/change fund as well as increases to petty cash/changed funds will need to be authorized by the Department of Finance, Director.

If the petty cash/change fund is no longer required, it must be closed.

Petty Cash Guidelines and forms are located on the Accounts Payable Intranet Portal.
<https://mcgov.sharepoint.com/fin/Pages/Controller.aspx>

GENERAL

4. AUTHORITY

4.1 Petty cash funds may be used for incidental, non-recurring purchases that are not covered under the P-Card program. Reference the Montgomery County Maryland Purchasing Card program policy and procedure manual for more information on P-Card use and restrictions.

4.2 All purchases must be for authorized purposes and reflect prudent stewardship of County funds. Petty cash disbursements may not result in the direct or indirect personal gain and must be able to withstand audit review.

4.3 The Director of the Department of Finance will approve or deny all departments' request for a Petty Cash/Change Fund and notify the requesting department in writing of the decision.


PROCEDURE

5. DESIGNATING PETTY CASH

5.1 The Department Head will designate two full-time employees as Custodian and Deputy Custodian. The employees should be available during work hours to issue disbursements for approved petty cash purchases. The designation of specific responsibility for custody of petty cash/change fund is vitally important, and should be done through the official delegation of authority by the Department Head.

5.2 Department of Finance, Accounts Payable, will establish and maintain all related documentation pertaining to department petty cash/change fund.

5.3 Department of Finance, Accounts Payable, will maintain a copy of the Designation of Custodian & Deputy Custodian form, the Petty Cash/Change Fund Certification of Responsibility & Receipt of Funds form, and the Transfer of Petty Cash/ Change Fund Form, if applicable.

	MONTGOMERY COUNTY ADMINISTRATIVE PROCEDURE Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850	NO. 2-1
		PAGE 3 OF 8
		DATE 2/5/2018
TITLE Petty Cash Funds		CAO APPROVAL <i>FK</i>

5.4 Department Heads will ensure that:

- 5.4.1 The duties and responsibilities of a petty cash custodian or deputy petty cash custodian are clearly described to the designated employees; The designated employees are knowledgeable of, understand and receive training in internal controls, Montgomery County Government policies and rules governing the custody and control of petty cash and change fund.
- 5.4.2 The department must maintain a copy of the Designation of Custodian & Deputy Custodian form and the Petty Cash/Change Fund Certification of Responsibility & Receipt of Funds form.
- 5.4.3 When a department requests a Petty Cash/Change Fund, the department must submit in writing the following information to the Director of the Department of Finance:
 - 5.4.3.1 Justification of the necessity for establishing a Petty Cash or Change Fund.
 - 5.4.3.2 The location of the fund.
 - 5.4.3.3 The department's internal petty cash reimbursement procedure or cash collection procedure for change fund.
 - 5.4.3.4 Types of items or services to be paid from the fund.

Submit the Designation of Custodian & Deputy Custodian form and the Petty Cash/Change Fund Certification of Responsibility & Receipt of Funds form to the Accounts Payable section in the Controller's Division.

6. ESTABLISHING A NEW CUSTODIAN AND DEPUTY CUSTODIAN

6.1 The Department Head must submit a new Designation of Custodian & Deputy Custodian form to the Department of Finance, Accounts Payable, if there are any changes to the designated custodian(s) due to changes in personnel, job duties or any other reason. The Designation of Custodian & Deputy Custodian form requires:


- 6.1.1 The effective date of the new Custodian of the fund;
- 6.1.2 The new Custodian and/or Deputy Custodian name and signature;
- 6.1.3 The previous Custodian and/or Deputy Custodian name and signature;
- 6.1.4 A brief explanation for the change in the Custodian and/or Deputy Custodian.

7. PROPER CUSTODY AND CONTROL

7.1 The Custodian is responsible for the custody and control of the petty cash/change fund; however, accountability and responsibility for the proper use and care of the fund remain with the Department Head.

7.2 The Department Petty Cash/Change fund will be placed in a safe and secure location with access restricted to authorized employees and is the responsibility of the Department.

Appendix C: Petty Cash/Change Funds

	MONTGOMERY COUNTY ADMINISTRATIVE PROCEDURE Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850	NO. 2-1
		PAGE 4 OF 8
		DATE 2/5/2018
TITLE Petty Cash Funds		CAO APPROVAL <i>RL</i>

8. RESTRICTIONS

8.1 Under no circumstances will petty cash/change funds be used to circumvent purchasing regulations or bypass the Department of Finance, Accounts Payable. Petty cash/change funds will not be used for any unauthorized disbursement or transaction, including but not limited to:

- 8.1.1 Payroll advances;
- 8.1.2 Personal loans, IOUs or advancing cash to an employee, volunteer, personal services contractor, another petty cash fund, or for any other reason;
- 8.1.3 Entertainment for an employee, volunteer or any other person;
- 8.1.4 Hospitality expenses;
- 8.1.5 Purchasing any item strictly prohibited by rule or law:
 - 8.1.5.1 Alcoholic beverages,
 - 8.1.5.2 Fines, Penalties or similar items;
 - 8.1.5.3 Tobacco;
 - 8.1.5.4 Controlled Substances;
 - 8.1.5.5 Gasoline for personal vehicles.

8.2 The P-Card is the preferred method for making minor departmental expenditures. Petty cash /Change funds must not be used in lieu of the P-Card for the purchasing of applicable items.

8.3 It is the Departments responsibility to ensure that the Petty cash/Change fund is not being used in an unauthorized manner.


9. DISBURSEMENT

9.1 A petty cash reconciliation form must be completed to support all disbursements of cash from the petty cash by the Custodian. The reconciliation form must be completed in its entirety, signature approved and dated by a Department Head or designee with delegated expenditure decision authority, signed and dated by the Custodian. The documentation must then be given to someone independent of the Custodian to process in iExpense to replenish the petty cash fund.

9.2 Approved disbursements must be for authorized expenditures and be supported by appropriate original documentation, including but not limited to:

- 9.2.1 Completed petty cash reconciliation form;
- 9.2.2 Purpose of the business expenditure;
- 9.2.3 Amount of the business expenditure;
- 9.2.4 Accounting code(s) to be charged;
- 9.2.5 Original receipt or sales tickets for each entry.

9.3 When using petty cash fund the Maryland Sales and Use Tax Certificate of Exemption should be given to vendors to preclude the County from paying sales tax on purchases. Exemption forms are obtained from Finance Department, Accounts Payable; it can also be obtained from the Montgomery County Government Intranet.

	MONTGOMERY COUNTY ADMINISTRATIVE PROCEDURE Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850	NO. 2-1
		PAGE 5 OF 8
		DATE 2/5/2018
TITLE Petty Cash Funds		CAO APPROVAL <i>RK</i>

10. FUND REPLENISHMENT/IEXPENSE REIMBURSEMENT

10.1 To reimburse the petty cash fund, process an iExpense invoice through the online Oracle system per the Core Business System Guidelines. Replenishment of the petty cash fund will require someone independent of the primary or deputy custodian to approve an invoice in iExpense.

10.2 All petty cash fund replenishments will be coordinated through the requesting Department. The Custodian will submit the required documentation to the department's Designee to process in iExpense.

10.3 For the petty cash fund to be reimbursed in iExpense, the Custodian/Deputy Custodian must provide the Department Head with the following for approval:

10.3.1 Custodians and Deputy Custodians requesting reimbursements must provide adequate supporting documentation (e.g. business reason for the expense, completed reconciliation form and all receipts attached).


10.3.2 Original valid receipt or sales invoice dates should be used to document when the expense was incurred. In the event a receipt is not available, e.g., metro fare, a written statement from the employee is required. Documentation of the reason as it relates to business will be required, as well as the date of the transaction.

10.4 The Custodian or Deputy Custodian will submit a Petty Cash Reimbursement Request to replenish the petty cash fund with enough lead-time to prevent the remaining petty cash amount from being depleted before the issuance of the reimbursement check.

10.4.1 All petty cash reimbursements are made payable to the Petty Cash-Custodian. Upon receipt of funds, the Custodian will need to cash the check and place the funds in a secure location.

10.4.2 If a petty cash account is short, a cash over/short form will need to be completed and submitted with the required documentation.

10.4.3 In the event of a loss of funds or theft, the Department Head will need to provide his/her signature on the documentation that will be submitted by the Custodian to the Director of the Department of Finance.

	MONTGOMERY COUNTY ADMINISTRATIVE PROCEDURE Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850	NO. 2-1
		PAGE 6 OF 8
		DATE 2/5/2018
TITLE Petty Cash Funds		CAO APPROVAL <i>RK</i>

11. AUDIT

11.1 Petty cash funds are subject to unannounced periodic audits by the Department of Finance/Internal and External auditors to ensure the funds are maintained in compliance with this policy. The cash and receipts must always be equal to the established value of the petty cash and/or change fund.

11.2 The Department of Finance, Accounts Payable section is responsible for monitoring petty cash activities and change funds by performing periodic audits and if necessary, will make recommendations to strengthen controls.

12. CASH DRAWERS/CHANGE FUND AND AUTOMATED PAY STATIONS

12.1 Departments who operate cash drawers/change fund and collect money from automated pay stations are required to make daily deposits at the end of any normal County business day. Sites which rely on courier services to transport deposits will submit deposits no later than the first scheduled courier pick-up from the date that cash was received, regardless of the amount. Under no circumstances are departments permitted to hold funds.

12.2 Each day the change fund must be counted and reconciled to the established change fund amount.


13. SECURITY OF PETTY CASH/CHANGE FUND

13.1 The safeguarding of currency, checks and invoices is the primary responsibility of the Department Custodian and must remain secure at all times.

13.1.1 Actual currency or checks that represent the petty cash fund, and cash drawer or register will be kept in a lockbox or cash register during business hours. After hours, the cash box or drawer will be removed and locked in a safe and secure location. The key or combination to the petty cash will be kept known only to the Department of Finance, Accounts Payable, Custodian, Deputy Custodian, and Department Head.

13.1.2 When the responsibility shifts between the Custodian and Deputy Custodian a reconciliation of the fund must be completed.

13.1.3 Verification of funds is accomplished by a cash and receipt count made by the Department Custodian on a routine basis. Custodians and/or Deputy Custodians should validate cash drawers daily and provide confirmation to the Department Head or Designee.

	MONTGOMERY COUNTY ADMINISTRATIVE PROCEDURE Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850	NO. 2-1
		PAGE 7 OF 8
		DATE 2/5/2018
		CAO APPROVAL <i>RK</i>
TITLE Petty Cash Funds		

14. HANDLING OF FUND SHORTAGES AND OVERAGES

14.1 Any shortage identified in petty cash will be immediately brought to the attention of the Department Head where the petty cash is maintained. The Department Head will determine if the shortage exists and whether the shortage appears to have resulted from routine transactions or theft.

14.2 Shortages from Routine Transactions

14.2.1 If the shortage in the petty cash/change fund results from routine transactions, this requires notification by the Petty Cash custodian to the Department of Finance, Accounts Payable

14.2.2 The Department of Finance, Accounts Payable, will provide an audit and staff evaluation of the situation and recommend corrective action which may include a change of Custodian of Deputy Custodian.

14.2.3 Shortages from routine transactions will be replenished.

14.3 Shortages from Theft

14.3.1 If a shortage is a result of theft, the Department Head will notify the Department of Finance, Accounts Payable Section, and the appropriate authorities.

14.3.2 Upon notification, the Department of Finance, Accounts Payable Section, will determine if an audit is needed.


14.3.3 The Custodian is personally responsible for the loss of funds unless the custodian can demonstrate that the theft occurred through no negligence of the custodian. For instance, if the office was broken into where the petty cash was held in a locked compartment then the custodian would not be responsible for the theft. An investigation will be conducted to determine the amount of the theft and who is responsible.

14.3.4 If the investigation reveals the cause of the shortage to be theft by the Custodian and/or Deputy Custodian, a new permanent Custodian and/or Deputy Custodian will be appointed immediately and a determination will be made regarding the necessary steps to replenish the petty case to its established level from the proper account.

14.3.5 Repeated shortages for any reason may result in audits increasing in frequency by the Department of Finance, Accounts Payable internal auditor, and/or will result in involuntary closure of the petty cash fund.

14.4 Overages

14.4.1 Any overages will be forwarded to the Division of Treasury with an accounts receivable transmittal form and recorded in the department's proper account.

	MONTGOMERY COUNTY ADMINISTRATIVE PROCEDURE Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850	NO. 2-1
		PAGE 8 OF 8
		DATE 2/5/2018
TITLE Petty Cash Funds		CAO APPROVAL <i>FK</i>

15. CLOSURE OF A PETTY CASH ACCOUNT

15.1 A petty cash and change fund can be closed at the request of the Department Head.

15.2 The following steps are required to close a petty cash fund.

15.2.1 Reconcile the petty cash fund. "Total on hand" must agree with the County ledger total. If there is a variance (overage or shortage), provide an explanation for the variation.

15.2.2 Deliver the petty cash or change fund to the Division of Treasury for depositing the funds and complete an accounts receivable transmittal sheet with the correct code. It is the responsibility of the Custodian to ensure that a copy of the stamped receipt/accounts receivable transmittal sheet and reconciliation form is submitted immediately to Department of Finance, Accounts Payable Section.

15.2.3 The Division of Treasury will then verify the amount of cash returned, stamp and post the transmittal sheet as well as, issue a receipt for the cash received.

15.2.4 The Division of Treasury will issue a receipt to the individual returning the cash and deposit the funds accordingly. The cash receipt must be kept on file to reestablish a petty cash fund.

15.3 The Department of Finance will determine the necessity of involuntarily closing a department's petty cash fund due to inactivity or excessive variances.

16. RECONCILIATION

16.1 Reconciliation of the petty cash or change fund must be completed daily. Receipts and cash must equal the amount of the established petty cash fund.

16.2 For change funds, the cash drawer/register must equal sales plus the authorized change fund amount.

16.3 A quarterly reconciliation report is required to be submitted to Department of Finance, Accounts Payable, for all petty cash/change fund accounts 10-14 business days following the end of the last month in the quarter.

Petty Cash Guidelines and forms are located on the Accounts Payable Intranet Portal.
<https://mcgov.sharepoint.com/fin/Pages/Controller.aspx>

Appendix D:

Chief Administrative Officer's Response

June 17, 2018



OFFICE OF THE COUNTY EXECUTIVE

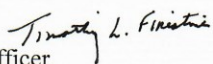
Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

MEMORANDUM

June 14, 2018

TO: Edward L. Blansitt, Inspector General

FROM: Timothy L. Firestine, Chief Administrative Officer 

SUBJECT: Response to Confidential Final Draft: Disposal of Surplus Scrap Metal by Montgomery County Government Offices

I am in receipt of Confidential Final Draft: Disposal of Surplus Scrap Metal by Montgomery County Government Offices. Following are our responses to the Draft's findings and recommendations.

Recommendation 1: The County government should ensure managerial accountability and implement effective controls that promote adherence to proper procedures for the disposal of surplus property.

CAO Response: As acknowledged in the Draft Report, in February 2016, the Director of the County's Office of Procurement, had sent an email to Montgomery County department and office directors, and other County management and administrative support staff issuing guidelines and procedures for disposal of surplus items ("*Procedures for Disposal of Goods*"). Several actions have already been taken to promote adherence to the procedures defined in that guidance for disposal of surplus property, including:

- 1) As noted in the Draft Report, the Department of Transportation (DOT) issued a memorandum to all depot supervisors within the Division of Highway Services regarding the requirement that all waste (including surplus scrap metal) collected within the right of way or deposited at one of the depots or at the Poolesville site is to be sorted and transported to the Department of Environmental Protection's Transfer Station for appropriate disposal.
- 2) The Department of General Services (DGS) implemented standard operating procedures, consistent with Procurement's "*Procedures for Disposal of Goods*," regarding vehicle disposal and disposal of obsolete parts.

101 Monroe Street • Rockville, Maryland 20850
240-777-2550 • 240-777-2518 FAX
www.montgomerycountymd.gov

montgomerycountymd.gov/311



Maryland Relay 711

Appendix D: Chief Administrative Officer's Response

Edward L. Blansitt, Inspector General
June 14, 2018
Page 2

In addition, shortly we will re-issue the "*Procedures for Disposal of Goods*" to County departments and offices, and to departmental contract administrators, and will include information concerning the current County contract (Montgomery Scrap Corporation) for scrap metal removal services.

Recommendation 2: The County government should take action to identify and remove unauthorized petty cash funds and hold managers accountable for circumventing policy.

CAO Response: Administrative Procedure (AP) 2-1 establishes and defines both petty cash and change funds as allowable monies to be maintained at the department level, if requested, authorized, and maintained pursuant to the policies and procedures in the AP. "Sunshine funds" that sometimes are established for personal or non-authorized County purposes like staff parties or retirement gifts, and generally funded by employee personal contributions, are not considered authorized petty cash funds and are therefore not contemplated or addressed under AP 2-1.

The Department of Finance (Finance) is responsible for authorizing petty cash and change funds, ensuring that departments designate formal custodians, and ensuring that the funds are periodically reconciled. On a quarterly basis, Finance requires that the custodians of the 15 authorized petty cash funds and 71 authorized change funds submit reconciliations of those funds, which are then reviewed by Finance. Finance also periodically performs on-site spot audits of the various petty cash and change funds.

However, to bring more clarity and also create additional accountability for compliance with the County's petty cash policy, Finance will:

- 1) Issue guidance on the difference between a sunshine fund and a petty cash fund; and
- 2) Require departments to certify on an annual basis, beginning as of June 30, 2018, either that no unauthorized petty cash funds exist, or to provide information and supporting documentation on any petty cash funds existing in the department that are not currently authorized.

Finance has already updated its checklist used for periodic on-site audits to include a requirement that the guidance (see #1 above) on sunshine vs. petty cash funds also be shared and discussed with department personnel during the on-site audit.

As far as the unauthorized "petty cash" funds activity reported in the Draft Report, DOT has already removed the unauthorized "petty cash" funds from its facilities and has deposited the monies in those funds with Finance. Also, as noted in the Draft Report, the funds in the previous "petty cash" fund at the Silver Spring Urban District had already been deposited with Finance.

Appendix D: Chief Administrative Officer's Response

Edward L. Blansitt, Inspector General
June 14, 2018
Page 3

Other Matter for Consideration: The County government should review the expenditures from each of the unauthorized petty cash funds to determine whether they were legitimate uses of County funds and take appropriate action.

CAO Response: The County will review expenditures from the unauthorized "petty cash" funds identified during the OIG's investigation and take the appropriate action related to any expenditures that were not appropriate use of County assets.

cc: Fariba Kassiri, Assistant Chief Administrative Officer
Cherri Branson, Director, Office of Procurement
Alexandre A. Espinosa, Director, Department of Finance
David Dise, Director, Department of General Services
Al Roshdieh, Director, Department of Transportation